which caused them to be late with rent. The women expressed feelings of not being treated fairly by the housing authority. For example, although payment was expected to be timely, the housing authority did not respond to maintenance needs (e.g., a leaky faucet) in a timely manner.

Another type of problem expressed by some women was not being paid consistently by friends or family members. Some family members took advantage of the women, assuming that their work was for free because they were relatives. A few of the women, although not complaining in a direct way, indicated that they feel their work is hindered by the traditional gender roles placed on them by their husbands. One husband felt the wife's services should be for free and did not allow her to insist on payment.Policy

Recommendations. In consideration of the aforementioned findings, the following policy recommendations are proposed. Although political bodies for the city of San Antonio do not have the authority to determine policy for federal agencies, it is within the city's jurisdiction to intervene on behalf of its residents in matters which constitute an extreme burden on their lives.

In addition, the ordinances, federal as well as city, for the housing projects must take into consideration the residents' economic and psychological well being. Current housing ordinances restrict the residents' ability to provide a satisfactory living environment for themselves and their families. First, regulations are based on unrealistic assumptions about the costs of living. If families had sufficient incomes to meet even the basic needs of food and clothing, they would not be forced to violate housing ordinances limiting additional income and special activities such as rummage sales. Secondly, housing ordinances also do not consider the residents' personal and psychological needs for private space. Although housing ordinances allow for some freedom, they should become more flexible in the sense of giving room for individual improvement (i.e., house and garden decorations, fences). Furthermore, reciprocal benefits should accrue for both the housing authority as well as the residents in the exchange of services between the two. The residents, for example, should expect their requests for maintenance to be met responsibly, while the housing authority should expect equal cooperation by the residents for the maintenance of the grounds. Another arrangement, perhaps, is for the housing authority to pay the residents for work and services that they are asked to do voluntarily (i.e., cleaning the streets and yards, helping other residents to interact with the housing agency). The Residents' Association is a possible vehicle to bring about these policy changes if communication and cooperation is fostered among the residents, the housing authority, and the city.

As a policy, the public assistance agencies adjust benefits and regulations to reflect the actual needs and living situations of the women and children they serve. Current agency procedures actually punish women, in particular single mothers, for trying to improve their standard of living. For many of the women, the social-service agencies, in effect, prevent them from fulfilling their familial responsibilities. For many of the women on public assistance, engaging in informal activities is but one way to gain a little independence and self respect. Self respect is highly valued and is considered to be a positive energy that is reflected in a person's attitude, which is then transmitted to the children. The children, exposed to an ambitious, innovative mother who tries to manage her own life independently of welfare, will learn to strive for independence from welfare as well. Additional public assistance changes include providing flexible and affordable (free) child-care programs, which will care for children after 5 p.m. and during weekends. Assistance for informal businesses such as tire shops and auto repair, would allow them to achieve a "formal" status.

Street Vendors. Additional interviews were conducted with individuals engaging in informal activities which were not directly related to the case studies. Interviews were conducted with six children who were encouraged or told by the female heads of the household to engage in the informal activities. Most of the children lived with their parents and two children lived with relatives, either an aunt or an older sister. A seven-year-old boy stated that his entire family of seven older brothers and several cousins sold candy for the family. Four of the children reported that the money they earned was used to help pay bills.

The children's ages ranged from seven to sixteen years old. A fourteen-year-old girl stated she had been selling candy in her neighborhood since she was eight years old. All the children were in school. Two of the children worked only on weekends and earned $22.00 a day, while two other children worked every day after school from 4:00 p.m. to 7:00 p.m., earning approximately $8.00 a day. The remaining two children worked on an irregular basis during cases of financial emergency (mostly toward the end of each month). The children walked approximately 12 blocks each day collecting aluminum cans or selling Mexican candy, snowcones, and cupcakes.

A number of men in the informal sector within the ethnic enclave also completed interviews. Most of the men were native born (four out of five) and only one was foreign born (Mexico). Approximately half of the men were over 30 years of age, had not completed high school, and were on public assistance of some type. Informal activities for the men varied widely from selling snowcones to maintaining an auto body shop at home. Four of the men stated that the informal work was necessary and relied on it as the primary source of family income.

Interviews were also conducted with adults engaged in the informal sector outside the ethnic enclave. One woman and four men were interviewed. The ages ranged from twenty-three to seventy years old. All of these individuals worked in downtown San Antonio, primarily at the Mercado. Most of the men worked at two jobs, either construction or restaurant work, which was considered the primary job, and shining shoes or playing the guitar, which was a secondary source of income. Most of the men had worked at informal jobs for most of their lives. The woman had been working informally for fifteen years selling clothes and hairpins. She relied on the extra money to supplement her husband's social security disability benefits.

CONCLUSIONS

This section documents the existence and importance of the informal economic sector in the ethnic enclave of San Antonio. The findings are consistent with other studies on the informal economy. The informal sector has a positive effect on individuals, the community, and the economy in general. Informal activities benefit the individual participant financially as well as psychologically. Informal work also strengthens social ties and networks within a family and community. Individuals engaged in informal activities raise their standards of living and also increase their spending ability within the community. Thus, the informal economy indirectly benefits the community and the larger economy.

With respect to the role of women in the informal economy, the findings are also consistent with recent studies which indicate that women form a large portion, and in some studies, the majority of the informal sector workers.[43] The lack of recognition of their significant role is connected to the social definition of appropriate sex roles. Typically men are assigned the role of worker and provider. Thus, many women in the informal sector are engaged in activities such as baby sitting, cleaning, preparing food, etc., that are not recognized as "work" because they are stereotypical women's tasks. Many of the women themselves did not recognize these tasks as "work" and in some cases, the women were not paid or compensated for these tasks by members of the extended family.

The day-labor network gives men who might otherwise be unemployed an opportunity to work and thus to contribute to the economy of the enclave. Unfortunately, the informal nature of the day-labor network leaves the men vulnerable to exploitation. They face problems of underpayment and underemployment, which they would not be as likely to face if they had permanent jobs in the formal sector. The men must also deal with the development of the day-labor area, which has forced them to move their pick-up sites over the years. The most recent move to the official day-labor site has been encouraged by a coalition of groups that want to improve the image of the area where the men currently congregate. Having a permanent site where work can be more easily and efficiently coordinated between workers and employers could benefit the men. However, they have not been consulted or included in any of the decisions which will affect their future livelihood. This top-down enforcement results in very low use of the official day-labor pick-up site and the continued use of the informal corner system.

Little if any work has been done on studying the extent to which the informal economy contributes to the formal economy of San Antonio. Although more research and analysis is necessary before any definitive answers may be given, it is hoped that this study will offer enough information to encourage others to look into this aspect of the economy of San Antonio. Although concrete numbers concerning participation levels and income generation cannot be offered, it can be stated that the informal economy on the West Side plays an important and integral part in filling the gaps left by the formal economy. The economy of the West Side enclave is distinguished by the substantial role that the informal sector plays within it and by the interrelationship between the informal and formal economies.

Chapter 5. Enterprise Zones

Since 1986, 37 states have enacted enterprise zone programs. Enterprise zones (EZs) are areas designated as "pockets of poverty," in which local governing bodies and taxing entities are allowed to develop a variety of incentives to promote economic development. They are designed to redirect the flow of both new investment and reinvestment toward pockets of high unemployment or scarce development (i.e., attract new business and facilitate local expansion in areas that need it most).[44]

By locating in enterprise zones, businesses are able to make substantial reductions in their start-up and operating costs. Some of the incentives offered to qualifying businesses include tax abatements and deferrals, the waiving of building and inspection fees, provision of low-interest loans, and purchase of land at below-market costs. Often, these incentives last up to five years. For large manufacturers seeking relocation, the savings can easily add up to millions of dollars. Ideally, enterprise zones are supposed to help poor people in depressed urban and rural communities and serve as vehicles of political empowerment for minority businessmen and resource-limited entrepreneurs.

THE ROLE OF TAX ABATEMENTS AND INCENTIVES

There is no consensus regarding the effect of tax abatements and incentives on economic development. Some researchers have argued that taxes are the primary reasons for industrial relocation,[45] while others have indicated that such factors as "quality of life," climate, labor market and land prices, state right-to-work statutes, transportation, and other factors are more important.[46] Some researchers have even reported that the high levels of services associated with higher taxes, including infrastructure improvements, health services, and especially education, tend to foster economic development.[47]

The most convincing analysis emphasizes the fact that the company relocation or expansion decision is a "complex, multistep process that occurs only after the corporation has formulated a strategic plan, devised a forecast of future capacity requirements, and determined the necessity of additional and/or improved facilities."[48] In this context, financial incentives are most useful when a company is deciding between several sites which meet its fundamental needs.[49] Otherwise, as one researcher warns, companies receiving incentives "are rewarded for doing what they would have done even in the absence of the incentive."[50]

The literature which exists on tax abatement and incentives focuses almost entirely on relocation of large firms, rather than creation or expansion of existing businesses. The capture of one relocating large firm may be both more visible to the community and easier to accomplish than assistance to a number of small businesses. Despite their visibility, large firms are few in number: one study found that manufacturing relocation "occurs at a rate of only 3 percent per year in manufacturing establishments of all sizes and less than 1 percent per year in plants employing more than 100 employees."[51]

Small businesses may both entail greater risk (because of their high rate of failure) and have different needs than other kinds of firms. The calls for tax and regulatory relief which are a regular feature of enterprise zone rhetoric may not be what small businesses need at all. David Maloney argues that tax breaks are of little or no utility to small businesses because of the lost time it takes such firms to become profitable. Small businesses need "carry-over provisions [to] allow for their future use or sales of the [tax] credits" for the credits to be useful, and few zone programs now offer those options.[52]

THE TEXAS ENTERPRISE ZONE PROGRAM

The Texas Legislature originally created the Texas Enterprise Zone Act in 1983. However, that legislation made the Texas program dependent on the passage of federal legislation. As the passage of federal enterprise zone legislation grew more remote and as Texas suffered an economic downturn, the 70th Texas Legislature in 1987 created an array of economic development programs, uniting the state's scattered programs under the umbrella of the new Texas Department of Commerce. In November 1989, the Texas Department of Commerce designated seven enterprise zones, bringing the statewide total to fifty.[53]

Among the economic development legislation which passed during the 70th Legislature was Senate Bill 87, which removed the requirement that federal enterprise legislation be enacted before the Texas statute became operational and housed the new program within the newly created Texas Department of Commerce. The Texas Enterprise Zone Act provides a statement of legislative findings which detail the purpose of the zones. Under the act, an area can be nominated as an enterprise zone by the legislative body of a municipality or county (or a combination of both) as long as it meets certain geographic and economic criteria set forth in statute.

Enterprise zones are given a number of benefits by the state, including permission to use bonds for financing, refunds for state sales taxes, and preference in the awarding of state grants or loans related to economic development if at least half the grant is to be used on the enterprise zones. In addition, the state can designate a number of enterprise projects which are eligible for state sales tax refunds up to $250,000 per year for a maximum of five years.

Nevertheless, the majority of incentives are those offered by the municipality or county, including the following:

1. refunds of the municipality's share of sales tax;
2. reduction or elimination of various fees and charges;
3. deferral of compliance with local ordinances and building codes (except those regarding streets and water);
4. priority in the distribution of block grant funds and economic development programs;
5. amended zoning requirements;
6. preferences or simplified procedures in permitting;
7. reduced utilities; and,
8. creation of a local enterprise zone fund.[54]

The San Antonio Zones: Focus on the West Side

San Antonio, while under the leadership of nationally recognized Mayor Henry Cisneros, was clearly on the forefront of Texas economic development. Yet, certain areas within the city suffered from severe and persistent poverty. Areas within San Antonio's West Side ethnic enclave and East Side warehouse district were of particular concern, with unemployment levels of 12.4 percent and 13.8 percent respectively. In order to target economic development in these "pockets of poverty," the Texas Department of Commerce approved enterprise zones for each of these areas in October 1988. Both zones are administered by the San Antonio Department of Economic and Employment Development (DEED).[55]

In order to qualify for tax abatement, the minimum guidelines state that a company must either:

Invest	or	Create	To Receive
$2.2 to $3.4 million		51-75 jobs	50 percent tax abatement
$3.4 to $4.5 million		76-100 jobs	75 percent tax abatement
Over $4.5 million		100+ jobs	100 percent tax abatement

As of 1990, only two businesses are participating in San Antonio's West Side Enterprise Zone program. Both are large manufacturers with over 100 employees and only one is taking advantage of local tax abatement. However, both receive benefits from the state related to their designation as state enterprise zone projects, including rebates on both state sales tax and use tax on purchase of machinery and equipment. The two businesses are credited with the creation of more than 500 jobs in the West Side zone and plan expansion within the next few years to employ over 1,000.[56]

Bausch and Lomb was the first business to begin operations as an enterprise zone project. A sunglass assembly and distribution center, the firm received designation from the state on January 31, 1989. Presently the business employs 400, 80 percent of which live in the West Side, has a maximum employment projection of 700, and is expected to invest $5,500,000 in the project.

Canadian sign manufacturer SignTech USA, Inc., received state project zone designation on May 24, 1989, employs 118, and is expected to invest $7,350,000 toward the San Antonio site. This company manufactures custom sign materials -- flexible vinyl and aluminum components for frames. Seventy percent of current employees live in the West Side, the majority of which are low- and semi-skilled, including warehousemen, inkers, seamers, and salesmen. Long-term employment projections are approximately 300.[57]

Evaluation

The Texas enterprise zone program is still relatively new, and San Antonio's experience in implementing it is newer still. Even so, a number of issues, which are worth considering, are beginning to emerge regarding the effect of zones on the community. There is no consensus regarding the effect of tax abatements and incentives on economic development. Some researchers have argued that taxes are the primary reasons for industrial relocation, while others have indicated that such factors as "quality of life," climate, labor market, land prices, state right-to-work statutes, transportation, and other factors are more important.[58]

Minimal Concentration on Zone. After just more than one year of operation, little concentrated effort has been targeted specifically toward development of the West Side zone other than the city's clear emphasis on attracting large manufacturers to the area. Marketing efforts are directed toward large employers and are carried out through active cooperation with San Antonio's Economic Development Foundation, a private, nonprofit firm which handles DEED's marketing efforts.[59]

Incentive Package Mixed Bag of Various DEED Programs. San Antonio's enterprise zone incentive package combines a mixed bag of tax abatement, job training, and loan programs administered through DEED. Each business that applies gets a "tailor-made" incentive package depending on its needs and/or situations. However, these programs are not new to San Antonio, and the incentives they offer were not specifically designed to target development within the zones. Instead, these incentive programs are just a small part of a larger, comprehensive economic development and business expansion plan being implemented by the city.[60]

No Coordination with Other Entities. While Texas Department of Commerce zone rules allow and encourage other entities to boost the incentive package by providing additional tax abatement, there is minimal coordination between the city and these other entities. Qualifying businesses must go before each entity's governing body to "cut a deal." There currently is no outreach program toward business in the zone, and current tax abatement incentives do not really apply to small businesses wishing to expand.[61]

Effects on Population/Local Business. The true effects on the local citizenry and economy are difficult to ascertain and for the most part, remain inconclusive. Due to the recent implementation of the zone program, no data are available to make any kind of quantitative analysis. However, we do know that of the approximate 500 jobs created by the two zone projects, a minimum of 25 percent are required to be filled by zone residents. Taking into consideration local multiplier effects and increases in internal market demand, there has to be some positive effect within the area. However, whether or not these presumed economic benefits outweigh revenue lost from abated taxation is anyone's guess.[62]

Effects on Infrastructure. Possibly the most convincing arguments for enterprise zones come from those who point out that infrastructure investments increase as a result of zone activity. In fact, $18.8 million in street and drainage improvements have occurred in the zone since its designation. Again, there is little evidence to make any kind of firm conclusion on this issue. However, this is a very important issue, and it must be noted that all indications point to the fact that the city has given away a significant portion of its tax base unnecessarily.[63]

CONCLUSIONS AND RECOMMENDATIONS

Considerable debate remains surrounding the costs and benefits of enterprise zones. Zones have been a significant factor in the economic development of blighted "pockets of poverty" throughout the nation. They have been most effective in the northeast, a region of high corporate taxation where abatements and rebates are indeed significant in the total cost of doing business. In Texas, however, the benefits are not the same. Many have argued, in reviewing the applicable literature, that zones are not needed in the Southwest because those states already provide "low-cost" inducements. Some claim that providing additional incentives only creates "poorer-than-thou" competitions, which are unnecessary given the current state of economic restructuring.

The original purpose of enterprise zones was to encourage all forms of entrepreneurship within them, including business startups by residents.[64] However, small business development among those who already reside within the zones has generally been neglected in favor of relocating firms. While the presence of new firms from outside the zone provides the benefits of additional employment and some service sector spending in the area, the fact remains that the profits belong to entities outside the zone. If the aim of the enterprise zone is to help redevelop poverty-stricken areas, at least part of its energies should be directed toward the development of businesses owned by residents of the area.

However, the fact remains that Texas currently has fifty enterprise zones and will continue to have them for at least the next five years. Two of these zones are in, and will remain in, San Antonio. Therefore this study, while still very much in a "working" stage, offers the following recommendations.[65]

1. It is suggested that the city clearly state the precise mission and purpose of the San Antonio zones. If they are to target and attract only large manufacturers, so be it. However, if this is so, it should not be promoted as functioning to aid existing businesses or increase small-business expansion.

2. The city should consolidate the various enterprise zone administrative functions. Administration of an enterprise zone, at least in its formative stages, is a full-time job, and at least one person should be assigned to work exclusively on activities related to the zone.

3. If the intent is, in fact, to aid small businesses as well as large firms, then the incentive package must be modified to apply to those businesses. Few ethnic enclave entrepreneurs are able to invest $2.2 million or create 51 jobs.

4. The city should provide more funding to DEED for marketing to small businesses. Even if the incentive package is not modified, it is vital that small businessmen within the zone receive appropriate information regarding the other services provided. And, this can only be provided with more resources: funding and staff.

5. The city should use options offered by current Texas legislation. All economic players inside the zone should be encouraged to participate. The city should implement an outreach program to advertise zone opportunities and coordinate with other taxing and governmental bodies to offer a more attractive package of rebates and exemptions.

6. In order to properly evaluate the effects of the zone, the city must implement a better system for tracking zone activities. As it stands, the 1989 report on the West Side zone to the Texas Department of Commerce says nothing. If anyone is to prepare a valid cost/benefit analysis of the zone, better records must be kept.

Chapter 6. Housing and Economic Development

Housing and economic development are inextricably linked, especially in the case of a poor neighborhood such as the West Side of San Antonio. First of all, a blighted area with deteriorating housing is not an attractive or safe location for thriving small businesses. Rehabilitating the housing stock and improving the infrastructure is a prerequisite for establishing businesses such as grocery stores or cleaning stores that normally serve residential neighborhoods. Secondly, housing construction and rehabilitation directly affect economic development by creating construction jobs. A 1981 study by the Bureau of Labor Statistics concludes that for each billion dollars of multifamily construction expenditures, 25,400 jobs were created. Finally, housing assistance in the form of mortgage subsidies or rehabilitation loans bolsters economic development by enhancing the wealth of households. Wealthier households pay more in property taxes, enabling the city to fund infrastructure improvements. Also, wealthier households tend to buy more consumer goods, leveraging a business expansion in their community.

This chapter considers both impediments to economic development and city efforts to fuel economic development through housing programs. The impediments examined in the first two sections are redlining (i.e., lending institutions denying loans in specific areas) and ill-conceived zoning programs. The second section discusses various city housing programs that affect the economy of the West Side, including rental and owner-inhabited rehabilitation, tenant management practices, and the Homeownership Improvement Program (HIP).

ZONING AND LAND USE HISTORY IN AMERICA

The idea of segregating land uses started with early American attempts to exclude public nuisances from certain parts of a town. In 1692, for example, Boston dictated that slaughterhouses and other unpleasant structures be situated where they would be least offensive.[66] Likewise, in 1885, Modesto, California -- the city credited with the first zoning ordinance -- restricted wash houses and public laundries to the "bad" part of town.[67] However, while some efforts at land use control were being made, a strong American tradition remained that upheld the right to the free use of one's land. The leap from exclusion of public nuisances to comprehensive land-use control would not take place until social concerns grew to balance private-use arguments.

The necessary social concerns arose from the disorder of land-use patterns established by the industrial expansion of the 19th and early 20th century. In that time period, the industrial and commercial growth of large cities required, in the absence of modern transportation and communications, that workers live in close proximity to the factories, shops, and businesses which employed them. Many of these businesses, in turn, preferred to be near the customers they served. The result was that it was not uncommon to find very mixed land-use patterns in the absence of zoning law.[68] People simply constructed neighborhoods that were convenient for living and working. The modern concern for separating residential areas from industrial and commercial districts was relatively rare among the working-class inhabitants of inner-city neighborhoods.

Middle-class Americans, however, increasingly sought to distance themselves from the industrialism and working-class environment characteristic of these urban land-use patterns. They did this by moving to the suburbs. The problem, though, was that there was no guarantee that those elements they intended to leave behind would not follow as the suburbs became attractive places for the location of factories and low-income housing.[69] The affluent, therefore, needed some sort of public policy that could keep industrial and commercial activities away from desirable residential areas.

The solution was the comprehensive zoning ordinance. Through the police powers inherent in it, factories and businesses could be prevented from moving into certain areas. It also provided for the exclusion of the lower classes who traditionally live near their workplaces. The ordinances did this both by excluding the businesses for which they worked and by putting controls on where apartments could be constructed. Furthermore, since these working classes frequently comprised racial and ethnic groups, exclusionary zoning had the effect of relegating minorities to inner-city neighborhoods. Thus, the goal of excluding public nuisances was extended to the social sphere: "zoning had much less to do with protecting people from harmful things than with protecting people from other people. The focus of zoning was the social relationships of people, not things."[70]

LAND USE PATTERNS ON THE WEST SIDE OF SAN ANTONIO

This discussion is intended (1) to show that the land-use patterns of the West Side of San Antonio are understandable from a broad historical perspective of zoning in the United States and (2) to suggest that the structure of zoning on the West Side is dependent upon what is desired in terms of economic development. The end sought in making these points is to offer proposals for zoning policy that are conducive to economic growth but do not harm the residents of the West Side. An auxiliary goal is to suggest areas of research that would provide for a better understanding of West Side land use and zoning.

The land use patterns on the West Side of San Antonio seem to reflect a disregard for orderly planning and zoning. Our modern, post-suburban perspective leads to the conclusion that any area in which land uses are not clearly separated from one another -- where a residence is found next to a grocery store, a used car lot, or a junkyard -- is a primitive section of the city. It is thought that such an area offers an environment resistant to economic growth and that the patchwork of land uses is just one more feature of a "depressed inner city" that deters private and public investment. This perspective, however, fails to take into account two important insights (1) that zoning involves not only the separation of land uses, but the separation of social classes as well and (2) that the objectives of land use patterning have changed dramatically over the years as our ideas about neighborhood living and economic development have changed. A review of the history of land use in the United States shows how these two points make West Side land-use patterns much more understandable. Then, it can be shown that zoning practices in San Antonio have reflected the historical tendencies of land use.

Zoning on the West Side

San Antonio implemented its first comprehensive zoning ordinance in 1938. It is peculiar in terms of today's zoning standards because it involves a pyramid shaped ranking of land uses (appendix F). Zoning categories range from A (single family district) to M (second manufacturing district). Each classification permits all the uses in the classifications which precede it. For example, this means that the E office district allows all the resident uses of the classifications A through D. Similarly, the M manufacturing district is the most inclusive and permits any use whatsoever.

The 1938 ordinance had two results important to land use on the West Side. First, it codified the uses which already existed. Thus, the use patterns developed prior to zoning were given the sanctity of law. Second, some lots zoned for industry and commerce were subsequently used for residential purposes. Two consequences resulted from this latter fact (1) some opportunity for industry and business development may have been lost and (2) the mix of land uses -- with residences in close proximity to industry and commerce -- was greater than would have been the case if a more restrictive zoning ordinance had been implemented.

A more restrictive ordinance was adopted in 1965 (appendix G). This zoning law is different from the 1938 law in several respects. First, it is designed so that residential, business, and industrial zoning classifications are mutually exclusive. Second, it is more use-specific than the 1938 ordinance. For example, there are classifications such as R-2A (three- and four-family residences). Similarly, business uses are divided between those which allow alcohol sales and those which do not. Third, the 1965 ordinance makes provision for certain special zoning districts; Planned Unit Development Districts and Business Park Districts are just two examples. Overall, the 1965 law represents a more organized and rational application of zoning principles than its predecessor (the 1938 ordinance).

The 1965 ordinance did not, however, supplant the 1938 ordinance. It provided that the legal use of land in existence on June 28, 1965, could continue as a nonconforming use thereafter.[71] The consequence is that both ordinances apply in areas like the West Side. The zoning maps are, thus, a patchwork of the two land-use controls. The reason for this is probably that the 1965 ordinance was intended more as a means of promoting a thoughtfully organized development of outlying areas of San Antonio than it was as a reform of the 1938 zoning ordinance in the neighborhoods bordering the central city.

Obviously, it is more efficient and less confusing to have one zoning ordinance. This can presumably be achieved by upgrading from the 1938 ordinance to the 1965 zoning structure. A lot zoned according to the older classification would be given a 1965 classification. Since many older uses would still be nonconforming within the structure of the more recent ordinance, the conversion process would be slow and complicated; especially so, given the current resources and manpower available to the San Antonio Department of Planning.[72] Furthermore, it has been noted that there could be a new ordinance by the time such a conversion is carried out.[73]

More attention has been paid to the goal of rezoning older neighborhoods like the West Side. As noted in the 1983 Target '90 report, the objective is to make older zoning classifications more accurately reflect the current land uses.[74] For example, if a single-family residence has been built on a lot zoned E for office use (by 1938 ordinance), the classification would be changed to A to more accurately reflect the actual use. This activity involves, in many instances, what is termed downzoning. As in the above example, it makes the zoning classification more restrictive.

The desirability of downzoning depends upon the goal that is to be sought in zoning an area. It is desirable where there is a need to preserve the character of inner-city neighborhoods. It prevents the haphazard intensification (where intensity increases from residential to commercial to industrial) that might occur in its absence.[75] The property that had previously been classified E for office use, but was developed with a residence on it, could not, once it had been rezoned A, be bought and redeveloped with an office constructed upon it. Of course, from the perspective of those interested in such use-intensification, downzoning means a loss of areas that could be used for economic development. At any rate, rezoning of the West Side has been slow, and insufficient funding has resulted in an inability to achieve the city-wide Target '90 goals.[76]

Conclusions and Policy Recommendations

The desirability of a given neighborhood land-use structure is determined by one's expectations of economic growth. Since urban renewal has in many instances been synonymous with reshaping inner cities in the image of white middle-class living and modern high-rise business development, it has caused the displacement of the poor people occupying such areas. On the other hand, the mixed land-use pattern of older neighborhoods has been of some utility to those groups which desire to live in, or near, the enterprises they operate or use. This may be especially true of ethnic enclaves like the West Side of San Antonio. Therefore, it is necessary to implement zoning policy that ensures that economic development does not proceed at the expense of the people who live in areas like the West Side.

In terms of the West Side, economic development which protects the interests of people might include the following three conditions. First, rezoning city neighborhoods, specifically the West Side, should continue. Rezoning would achieve the important objective of safeguarding the character of the neighborhoods by preventing indiscriminate redevelopment. A lot that was zoned for manufacturing but developed with a residence could not then be redeveloped with an industrial or commercial use.

Second, inclusionary zoning practices could be implemented in the central city (and even the suburbs). Such zoning regulations stipulate that a developer must build a certain number of low- and moderate-income housing units as part of the larger residential or commercial project that is undertaken. The appeal of this approach is obvious (1) it ensures that revitalization of neighborhoods does not displace the current residents and (2) it may actually reverse the segregating tendencies of exclusionary zoning practices. There are, however, several problems associated with inclusionary zoning. First, the stipulation described above may be viewed as a "tax," the purpose of which is to have a private enterprise bear the costs of public assistance. Second, such a tax may have the effect of a disincentive to development: "Indeed inclusionary zoning ordinances have not generally worked where developers were not sufficiently motivated by an active and prosperous market."[77] The implication of this second point is that the West Side of San Antonio must be an area of economic growth before inclusionary zoning has a chance of working. Let there be no mistake; zoning cannot stimulate economic growth where it would not otherwise take place. Zoning regulations are restrictive and negative by nature. They work well to prevent _unwanted_ development. Thus, in the case of the West Side of San Antonio, rezoning proceedings and inclusionary regulations can at best restrict economic development which would disrupt the community and displace the residents.

The third condition of a zoning process that might successfully temper economic development on the West Side is the active participation of West Side citizens and neighborhood organizations. This point cannot be overstated. It is the residents of an area who best know their own needs and requirements. If they do not express their opinions, the greatest result that they can expect is that development will coincidentally fulfill their needs -- an unlikely event. On the other hand, active engagement in the process can only make beneficial outcomes in zoning and development more likely.

In conclusion, the above observations are of considerable significance for the study of zoning on the West Side of San Antonio. Analyzing the effects of land-use patterns upon the land values, income levels, or ethnic composition of a neighborhood is problematic in several respects. First, operationalizing a measure of the zoning mix of a neighborhood involves a great deal of work. The simplest method is to determine the proportions of commercial, residential, and industrial zoning (by area) for every zoning map in the city -- a great task for such an inadequate measure. Second, it is not clear that differences in zoning cause differences in the income levels or ethnic composition of neighborhoods. A good argument can be made for the converse relationship -- that socioeconomic characteristics condition the zoning patterns of a city. At any rate, there is probably an interactive relationship between these variables -- a probability that is overlooked in the traditional zoning regression analyses.

It may, then, be worthwhile to concentrate on more qualitative, anecdotal analyses of zoning on the West Side. For example, building contractors could be surveyed to ascertain their degree of satisfaction with the zoning process. Are they subject to lengthy delays in rezoning lots, etc.? This approach would be of limited value, however, if West Side contractors' views could not be compared with their counterparts around the city. The finding of a citywide problem with zoning would be quite different from the finding of a problem localized on the West Side. It is easy to see that this "more qualitative" method could become as involved and difficult as the analyses described previously. For the time being, it seems that we have to settle for a piecemeal, incremental approach to the study of zoning on the West Side of San Antonio.

REDLINING

In recent years there have been numerous claims that mortgage-lending institutions (MLI) regularly redline sections of urban areas.[78] This practice is said to cause the decline and deterioration of areas which would otherwise be vital. Critics of MLI have argued that decisions to direct investment to new suburban housing have had a long-term negative impact on the housing stock in older urban areas. This controlled exclusion of financial resources to neighborhoods is often seen as a critical step in a cycle which assures the deterioration of inner-city neighborhoods.

Proponents of lending institutions argue that such maintained views are unlikely. They point out that the spatial dispersion of American society represents basic economic changes. These policies of MLI might well reflect those changes but hardly have created them. Given that lending institutions are motivated by profit, it could not be expected otherwise. From this point of view redlining and disinvestment will generally represent rational free-market calculations. Loans which by normal criteria seem unsafe should not be made. Given the pervasive economic segregation within our society, one would expect that loans which are not "safe" will form a discriminating spatial pattern.

In the general context of housing issues, specifically for low-income families, several recent articles of federal legislation address directly or indirectly the neighborhood effects of home finance. Following a review of a piece legislation and previous studies, this report will explore the correlates of lending decisions of a major part of the lending industry within a large American city (San Antonio, Texas) for the years 1984, 1986, and 1987.[79] The study compares the number and amount of conventional home purchase loans originated by Bexar county mortgage lending institutions within the inner 410 highway loop area of the city. Two critical research issues are involved. (1) Are mortgage lending institutions biased against certain urban areas, and, if so, what is the nature and extent of this bias? and (2) If this bias exists, what is its contribution to neighborhood devitalization? If financial institutions are dysfunctioning, policymakers need to know how and why in order to correct the problem. Special attention is given to the role of neighborhood racial composition on the number of mortgage loans allocated and an empirical analysis will be conducted.

THE MARKET FOR HOME FINANCE

The mortgage market, to put it simply, consists of suppliers of mortgage funds and demanders of mortgage funds. Demanders of mortgage funds are those people needing to obtain a loan; suppliers of mortgage funds are those institutions willing to lend money in return for specified interest rates. Since financial institutions, both private and public, provide the greatest portion of mortgage funds, these will be highlighted.

Lending Institutions

The majority of home-mortgage loans made by private lending institutions are provided by commercial banks and savings and loans. Of these, savings and loan associations provide a much greater proportion. Practically all of their deposits and advances from governmental organizations, such as the Federal Home Loan Bank Board, are channeled into mortgages, whereas commercial banks provide only a small portion of their deposits into mortgages.[80]

Federally Sponsored Credit Agencies (FSCAs) are the governmental organizations that provide funds in the mortgage market. Some of the major FSCAs are the Federal Home Loan Bank Board (FHLBB), the Federal National Mortgage Association (FNMA or Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC).[81] These agencies direct all of their funds, acquired through the sale of securities, into the mortgage market.

The Federal Housing Administration (FHA), a governmental organization within HUD, also affects the private mortgage market. Under the FHA's credit insurance and subsidy plans, lending institutions may help owners of homes to make household repairs by granting loans insured by the FHA.[82] The urban mortgage market includes three major players: the government, communities, and lenders. It is the communication, or lack of communication, of these groups which determines the context in which mortgage lending occurs.

Federal Policy

The Home Mortgage Disclosure Act of 1975 (HMDA) was the first federal action aimed at curtailing redlining practices. The act itself, as far as acts go, is relatively simple. The underlying reason for the HMDA, is that some financial institutions were found to have contributed to inner-city decline by their reluctance to provide home financing in older urban neighborhoods to credit-worthy applicants.[83] The language of the act is carefully phrased not to imply that redlining is the cause or even the predominant cause of inner-city disinvestment.[84] However, the connection between redlining and disinvestment was significant enough to warrant federal action.

The heart of the HMDA lies in section 304, which pertains to the maintenance of records and public disclosure of mortgage loans. The act requires that every "depository institution"[85] with total assets above $10 million, which is located in a Standard Metropolitan Statistical Area (SMSA),[86] must compile and disclose by census tract or zip code, the number and dollar amount of residential mortgage loans and home improvement loans that are made each year within their respective areas.[87] All information required to be disclosed is kept for five years after the initial year. The intended purpose of this regulation was to provide consumers with the means to evaluate the lending patterns of mortgage lending institutions and to determine any discriminatory practices. Secondly, the law was to provide public officials with information regarding whether or not a lender was serving the needs of its respective community.

Because the HMDA affects only federally chartered lending institutions, several states have enacted their own legislation aimed at state-chartered depository institutions. Some states require greater detail in their disclosure requirements than those found in the federal act. Some require disclosure not only of the amount of mortgage loans but the amount of savings deposits by area as well. This action suggests that there should be some fixed relationship between the amount of money that an institution receives from a given community and the amount that it lends in that community.[88]

The law has, apparently, achieved its first goal. In many instances, the disclosures made by financial institutions resulted in "greenlining" efforts on the part of depositors.[89] This amounted to threats by residents of a particular neighborhood to withdraw their deposits in an institution unless that institution provides additional loans for their area. This is precisely the kind of consumer action that the disclosure act anticipated.

Finally, the law exempted mortgage bankers and other nondepository lenders, who are important sources of mortgage loans, from compliance. These lenders account for approximately three-fourths of all mortgages insured by the FHA, and in declining neighborhoods these loans represent about four-fifths of all loans.[90] Therefore, an important part of the mortgage market in declining areas is not being evaluated thoroughly by the government or by consumers.

It has been asserted that the market equilibrium produces different levels of lending among neighborhoods due in part to the variation in demand for home finance. To demonstrate this empirically, a model that predicts the level of lending in a neighborhood as a function of a variety of statistically significant neighborhood characteristics that should be associated with the demand for mortgage loans, such as family income, demographics, and housing characteristics, is required. If such a model demonstrated that the racial composition of a neighborhood also affected the level of mortgage lending, this result would constitute a necessary, but not a sufficient, condition for identifying one type of market failure. In other words, this result would indicate that fewer mortgage loans are made in neighborhoods with high minority populations.

LENDING VARIATION MODEL

The number of loans per housing unit is an appropriate measure of lending variation since the goal is to examine the degree to which loans are available to potential borrowers. However, since this is only a single-equation model, it is not possible to use it to determine whether the low levels of mortgage loans are due to demand (i.e., low levels of property turnover) or supply (i.e., discriminatory practices or lack of information) conditions. To some extent the level of lending is simultaneously determined by these two economic factors.

All variables, with the exception of median family income, have been normalized by taking their percent value in order to correct for bias due to large-sized census tracts. Anglo population data was omitted to avoid multicollinearity.

Variables used in the regression model included

Tract Number - Tract
Median Family Income - Mdfam
Total Population - Totpop
Black Population - BLpop
Hispanic Population - Spanpop
Population over 65 - Over 65
Population under 18 - Under 18
Median Age, in Years of Housing Structure - Mdhage
Number of Houses and Duplexes - Hsedup
Number of Mortgage Loans, 1984, 1986, and 1987 - Mortlns

Normalized Variables are reported in percentages:

Blnorm = blpop/totpop
Spannorm = spanpop/totpop
Oagenorm = over65/totpop
Uagenorm = under18/totpop
Mortnorm = mortlns/hsedup

Model Analysis

The model uses as the dependent variable the number of mortgage loans in 1984, 1986, and 1987 divided by the number of houses and duplexes. This number is taken as a function of median family income, percent black population, percent Hispanic population, median age of housing, percent over age 65 and percent under age 18.

The model can be specified in the following equation:

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6$$

The R^2 of 0.51 indicates that this model explains 51 percent of the observed variation in the mortgage loan rate with the variables Mdfam, Blnorm, and Spannorm being statistically insignificant at the 0.05 level. This implies that we can be confident that 95 percent of the time, the coefficients of the variables will accurately indicate their effect on the mortgage loan rate.

The median family income is expected to be positively correlated to the mortgage loan rate, since higher-income families have greater ability and propensity to purchase homes and greater opportunity to obtain mortgage loans. In the model, median family income was indeed positively correlated. The correlation itself was not significant. It might be anticipated that the probability of home ownership and purchase would depend more on permanent than annual income.

The percent black population and percent Hispanic population are the key elements of the hypothesis that race is a critical factor in predicting the number of mortgage loans made in a residential area. As indicated, this variable is expected to be a significant predictor of the number of mortgage loans. The results do not support expectations indicating fairly similar black and Anglo loan rates.

The percent-of-population-over-age-65 variable was significant and positively correlated to the dependent variable. A priori expectations were that this would be a good, positive predictor of owner occupancy and accordingly mortgage loan holders. The results support this expectation.

The percent of population under 18 was one of the most significant variables and was indeed positively correlated with the percent mortgage loans variable. This variable is expected to be a significant predictor of the percentage of mortgage loans as people buy homes when they have children and move when their household increases in size. This variable is also expected to have a positive effect on the dependent variable.

The age of the housing structure has a negative effect on the lending patterns in San Antonio. In previous research this variable has also been found to have a significant negative effect on the dependent variable.

Conclusions

Correlating mortgage loans with census tract characteristics, the results indicate that the equilibrium rate of mortgage lending is characterized by lower rates of lending among tracts with a high percentage of minority population and that the racial composition of a neighborhood affects the level of spending. This study found some patterns that many other studies have found. The age of the housing stock is negatively correlated with loans. The percentage of the population under age 18 is also consistent with past research in demonstrating that this is a good variable in determining the mortgage loan rate. While the analysis indicates an apparent discriminatory effect of mortgage-lending institutions, this result may also reflect factors that cannot be adequately measured and included in the analysis. Thus, although the results are based on the best data available, these are not persuasive due to many questions of interpretation.

RENTAL AND OWNER-INHABITED REHABILITATION

This section analyzes two housing rehabilitation programs in San Antonio; the Owner Occupied Housing Rehabilitation Program and the Rental Housing Rehabilitation Program. This analysis documents the involvement of West Side homeowners, apartment owners, and contractors in the housing programs. The overall economic impact of the programs on the Hispanic enclave would be greatest if there was substantial participation by West Side contractors, landlords, and homeowners. However, this section reveals that the full economic potential of the housing programs is not realized on the West Side because there is minimal involvement of enclave contractors and landlords. There is significant participation of West Side homeowners in the owner rehabilitation program. Thus the West Side does reap some economic benefits from San Antonio's housing programs. Primary data and program guidelines were collected from the City of San Antonio. In addition, interviews were conducted with a number of city officials.

Income and Ethnic Groups Served

The programs were quite successful in serving Mexican-Americans, who were about 78 percent of the total households in each program in fiscal year 1987-1988. While both programs focused most of their assistance to low-income households, SADA's reached 10 percent more low-income households than SAHA's because SADA's was targeted more directly to the low-income population. For example, in the SADA program, low-income homeowners were more likely to qualify for forgivable loans than moderate-income owners.

Geographic Areas

The greatest benefit these programs offered to the West Side was loan assistance to homeowners. In the last two years, the SADA program repaired 77 West Side homes, representing 41 percent of all the homes rehabilitated by the program. Since the average loan of $16,500 is forgivable in a large number of cases, it dramatically increases household wealth and could heighten household consumption and local business activity. Unfortunately, the West Side landlords did not benefit as much as homeowners from the Rental Rehabilitation Program because the West Side is not a target neighborhood of the rental program.

Contractors

SADA's and SAHA's programs compare favorably to other city programs in terms of hiring minority contractors. For instance, in other citywide programs, only 5 percent of the construction contracts went to minorities and 30 percent of the construction subcontracts went to minorities during fiscal year 1988-1989. In contrast, SADA's owner program awarded about 84 percent of its contracts to minority firms and 42.9 percent of SAHA's contracts went to minorities in fiscal year 1988-1989. For a three year period (86-89), 69 percent of SAHA's rental program contracts went to minorities.

Several factors account for the disparity in minority participation in housing rehabilitation and other citywide contracts. First of all, housing rehabilitation contracts usually involve small-scale jobs. Large Anglo firms are not interested in these types of jobs, so small minority firms almost have a natural monopoly on these jobs. Overall, Anglo firms secure most of the city construction contracts because most of these jobs are massive, requiring the resources of large firms. Minority firms do not have the capital resources of Anglo firms and thus are not equipped to handle the big jobs.[91] Since the housing rehabilitation activity is small scale, it represents a market niche for minority firms.

The selection process also explains the relative minority success in SADA's and SAHA's programs. In the SADA owner program, homeowners select the contractors. Mexican-American homeowners most likely select Mexican-American contractors since the percentages of Mexican-American homeowners and contractors are approximately equal. In fiscal year 1987-1988, 79 percent of SADA-assisted homeowners were Mexican-American and 85 percent of the contracts were secured by Mexican-American businesses.[92]

Like the owner rehabilitation program, the rental program allows the borrower, the apartment owner in this case, to select the contractor. Again, there is a tendency for minority borrowers to select minority contractors. For the years 1986 through 1989, 46.7 percent of the apartment owners were minority while 52.2 percent of the contractors were minority.[93] The yearly data are more difficult to use because the data on the number of contracts awarded combine minority- (MBE) and women-owned (WBE) businesses into one category. These data do reveal a tendency for minority landlords to prefer minority contractors, but they do not portray this tendency as clearly as the cumulative data covering years 1986 to 1989.

Another advantage of permitting local residents to award contracts is that it may reduce the need for minority set-asides in localities with a high percentage of minorities. Last year, the Supreme Court restricted the practice of reserving a certain percentage of contracts for minorities in the Richmond case. Fearing litigation as a consequence of the Richmond case, cities will be more reluctant to use affirmative action devices like minority set-asides to increase minority contracting. As an alternative, cities could involve minority communities in the process of selecting contractors, when appropriate. Minority communities may choose a large percentage of minority contractors, as is the case in San Antonio. Involving community residents in the contracting process could result in a very fair racial distribution of contract awards.

While minorities win a large percentage of contracts in the housing programs, West Side establishments have not been able to take advantage of the business opportunities arising out of the housing programs. For instance, SADA's list of contractors used during the last two years has twelve contractors. Ten contractors (83 percent) are Mexican-American and the other two are Anglo. However, only one of the Mexican-American contractors is located on the West Side. Less than 1 percent of the SADA owner contracts went to West Side establishments.

The contracting situation for SAHA's Rental Rehabilitation Program is even bleaker as far as the West Side is concerned. During the last three years, SAHA used 23 contractors, but none of them were from the West Side. Six of the contractors (26 percent) were Mexican-American, six were African-American, and twelve were Anglo. For the SAHA and SADA programs combined, there was a total of 35 contractors, 16 of which were Mexican-Americans. Even though 45 percent of the contractors were Mexican-Americans in both programs, the West Side only had one contractor participating in the programs. The West Side, a Mexican-American enclave, was not able to take advantage of the numerous opportunities made available to Mexican-American contractors by the housing programs.

The lack of Mexican-American contractors from the enclave reveals the low level of economic development in the West Side. The rehabilitation work in the SADA and SAHA programs is relatively small scale. The inability of West Side companies to perform this type of work means that there is not a thriving small business community on the West Side, or at least that there is a lack of a licensed small business community. SADA and SAHA require that the contractors carry a license and insurance like worker's compensation and general liability. The licensing and insurance requirements may impede the participation of West Side contractors in the housing programs.

Owner Occupied Housing Rehabilitation Program

The Owner Occupied Housing Rehabilitation Program is administered by the San Antonio Development Agency (SADA). It offers low-interest or forgivable loans to homeowners for rehabilitating their homes.

An owner is eligible for a loan if he/she lives within the San Antonio city limits and has an income which does not exceed 80 percent of the median city income. If an owner lives in an eligible blighted area, he/she qualifies for a loan as long as his/her income is not over 120 percent of the median income.

The city offers a low-interest loan with a 6 percent interest rate. The loan is repaid over a period of five to fifteen years depending on the homeowner's financial status. For those less able to pay, the city provides a deferred payment loan in which monthly payments are forgiven as long as the owner continues to reside in the home. The city will offer a deferred payment loan if household income is below 80 percent of the median and one of the following criteria is met:

1. The homeowner is 65 years or older.
2. A member of the household is handicapped.
3. The homeowner is situated in a designated neighborhood revitalization area.
4. The owner can finance 50 percent of the needed repairs.

Loans are primarily used to eliminate deficiencies which cause the house to be below the standards in San Antonio's building code. Rehabilitation funds can also be used for weatherization, energy conservation, or handicapped modification.

With the assistance of SADA's staff, the owner selects the contractor. The contractor must be licensed by the City of San Antonio and must have insurance such as worker's compensation, general liability, and personal liability. Furthermore, the contractor must provide a one-year warranty of the work.

Like other SADA programs, the Owner Rehabilitation Program devotes a significant amount of its resources to the West Side. However, the program is citywide. Housing rehabilitation programs improve the standard of living in a locality by enhancing the economic status of homeowners, landlords, and contractors. For the homeowner, a rehabilitation program increases the net worth of his house. In addition to increasing the wealth of individual homeowners, a rehabilitation program has many beneficial effects on the community. For example, the property tax base is increased since rehabilitated homes are appraised at a higher value. With more property tax revenue, a local government can make further improvements in infrastructure and local schools. Furthermore, as owners' wealth is heightened through housing rehabilitation, the owners are likely to spend more on consumer products, supporting a higher level of business activity in an ethnic enclave.

Rental Rehabilitation Program

The Rental Rehabilitation Program offers zero-interest loans to owners of single and multifamily rental housing for financing needed repairs. The program is administered by the Community Development Office, with support provided by the San Antonio Housing Authority (SAHA).

After the rehabilitation, the units must be affordable to tenants who meet HUD's Section 8 Housing Income Guidelines. These guidelines stipulate that the tenants are low income (defined as 50 percent or less of median income) and/or moderate income (defined as 80 percent of median income). In addition, the landlord can not discriminate on the basis of race and must comply with the Fair Housing Act. Furthermore, the owner must finance 50 percent of the total rehabilitation costs.

The city offers a zero-interest, deferred-payment loan. The loan can be repaid over a period of up to ten years.

The loans primarily address substandard conditions violating the city's building codes. Energy conservation improvements and modifications for the handicapped can also be funded with city loans.

The owner can not be the contractor or subcontractor. The contractor must be licensed by the city and carry insurance such as workers' compensation, general liability, and personal liability. The contractor must also provide a one-year warranty on his work.

The Rental Rehabilitation Program targets three neighborhoods -- Tobin Hill, Highland Park, and Fort Sam Houston -- for much of its activity. The program is citywide, but it pays particular attention to these three neighborhoods, none of which are on the West Side.[94] In addition to increasing the wealth of individual homeowners, a rehabilitation program has many beneficial effects on the community, such as increasing the property tax base. The tax revenue can be used to improve infrastructure and local schools.

The Rental Rehabilitation Program has many of the same positive economic effects as the Owner Rehabilitation Program. Landlords' net worths are heightened and the locality's tax base is increased due to higher appraisals on rental property. In addition, as apartment owners become wealthier, they may spend more on business-related goods and thus spur a business expansion in their community. Finally, both the rental and owner rehabilitation program can directly contribute to a region's economic development by involving neighborhood contractors. The economic position of local contractors is improved if they receive a steady stream of jobs from the rehabilitation programs. They gain experience, credibility, and future business prospects through their participation in government programs. A region's tax and economic bases are enlarged if a substantial number of its businesses receive government contracts.

Policy Recommendations

In conclusion, the full economic impact of the rehabilitation programs is not felt on the West Side. A significant number of West Side households benefit from these programs, but few enclave apartment owners or contractors are involved in the programs. Policy should address the minimal participation of West Side landlords and contractors.

Targeting low and moderate income groups. The SADA owner rehabilitation program served a greater percentage of moderate and low-income groups than the SAHA rental rehabilitation program. The difference was greatest for the low-income households; SADA assisted 10 percent more low-income households. As noted previously SADA's eligibility criteria for loans were more directly targeted to low- and moderate-income groups than SAHA's. Furthermore, SADA provided low-income groups with an additional incentive to apply -- they were offered forgivable loans. SAHA could restructure its loan eligibility criteria to resemble SADA's. For instance, it could make all or part of the loan forgivable if the landlord guaranteed that a certain percentage of tenants would be low and moderate income.

Community involvement in contracting. As mentioned previously, community involvement in choosing contractors may be as effective in achieving affirmative action goals as minority set-asides. In light of the Richmond Supreme Court decision, the city should consider adopting SADA's and SAHA's grassroots selection process of contractors to other programs.

Increasing the number of minority landlords. There was a greater percentage of minority households than apartment owners participating in the housing programs. The city should increase the number of minority landlords by extending the urban homesteading program to apartment owners. Under the urban homesteading program, homeowners purchase foreclosed homes for one dollar if they agree to rehabilitate them. Potential apartment owners could be offered the same deal on abandoned or foreclosed multi-unit dwellings. If this program was successful in increasing the number of minority landlords, the number of minority contractors could also climb since minority landlords tend to hire minority contractors.

Overcoming licensing and insurance barriers. A potential impediment to West Side contractors could be licensing and insurance requirements. The city's Department of Economic and Employment Development should step up efforts in assisting West Side contractors with obtaining licenses and insurance.

Economic development. SADA's and SAHA's housing rehabilitation programs represent a steady demand for construction activity year after year. If the city trained community residents to be small-scale construction contractors, the city could guarantee that they would receive work from the housing rehabilitation programs. Unlike past failures, this job training program would be training people for jobs that would exist in the future.

THE HOMEOWNER INCENTIVE PROGRAM

Home ownership is just out of reach for many low- and moderate-income families. Many families have the income to maintain a mortgage on a home, but lack the savings to cover the down payment and closing costs to purchase one. Until recently there was little these families could do to achieve status as homeowners. In 1988, the City of San Antonio introduced an innovative down payment assistance program to help these families. This program is called the Homeownership Incentive Program (HIP).

The program has two main objectives: (1) to provide homeownership opportunities for low and moderate income families and (2) to encourage private investment in the inner-city neighborhoods.[95] In addition, HIP offers the additional benefits of helping to improve the city's housing stock and provides the potential for other development in the areas where homes are purchased.

Since its inception, HIP has provided down payment assistance to approximately 461 families. This section provides detailed information concerning 318 families on whom complete data were available and evaluates the program's performance in light of its stated objectives. Particular attention is given to the participation of a 20-census-tract area, which has been identified as a Mexican-American urban ethnic enclave located in the city's West Side. The clients and the number of homes purchased there are specifically analyzed.

Information concerning the program was obtained through interviews with SADA staff, who administer the program. Additional supporting documentation came from their offices and the offices of the City of San Antonio. All primary data on HIP were collected from SADA, and the anonymity of each client was maintained. Only the clients' old and new census tract and City Council District were revealed. Additional data on the income, race and family status (two-parent and single-parent homes) of clients were taken from the city's published Community Development Block Grant (CDBG) Grantee Reports for fiscal years 1987 and 1988.

The data on each of the 318 clients were coded to reveal if the client was from the enclave, moved to the enclave, or moved out of the enclave. The Mexican-American enclave is defined as an area covering 20 census tracts in San Antonio's West Side; occupying part of city Council Districts 1, 5, 6, and 7; and composing 10 percent of the city's total census tracts. Each of the tracts in the enclave has a Mexican-American population of at least 75 percent.

A Description of the Program

HIP is one of only two down-payment assistance programs in the country. The first was conceived and piloted in Baltimore, Maryland, in the early 1980s. After it proved to be a success in the initial stages, SADA modeled HIP after the Baltimore program and proposed it for the city in late 1986. HIP was initiated in San Antonio in 1986. It continued on an experimental basis through early 1988 with approximately $250,000 in CDBG funds set aside by City Council districts 1 and 5.[96] Since that time, the amount of public funds committed as of April 15, 1989, was $564,690 from all City Council districts eligible for CDBG funds.

Eligibility. To be eligible for HIP assistance, clients must meet certain income criteria established by the U.S. Department of Housing and Urban Development (HUD). In general those criteria are that

> the family's gross annual household income cannot exceed 80 percent of the San Antonio median income, adjusted for family size;
>
> if the house to be purchased is located within any of the designated Selected Housing Target Areas (SHTAs) or Neighborhood Revitalization Areas, the family's gross annual household income may not exceed 120 percent of the city's median income;
>
> participants cannot currently own any residential property;
>
> the house to be purchased must be located within the San Antonio city limits and the family must live in the purchased home as their homestead during the term of program assistance;
>
> participants must qualify for an FHA-insured 203b, 203k, or a conventional mortgage loan from a bona fide institutional lender. The interest rate charged on the mortgage loan cannot exceed the current market rate as set by the Veterans Administration;
>
> the maximum sales price of the house to be purchased shall not exceed $50,000. If the land is already owned by the applicant or obtained through some other source, the appraised value of the land will be added to the cost of the house to determine the total sales price;
>
> participants must enter into a $200 Earnest Money Contract with the seller of the house;

participants may not hold more than $500 in a savings or another account such as a C.D. or money market account. Any money in such an account must be put toward closing costs and prepaids.

Loan Assistance. HIP payment is provided as a forgivable loan at zero-percent interest for a five-year term. The loan, as a second mortgage, will be secured by a second lien on the property. HIP is originated as a mortgage on the property running concurrently with the first mortgage; if the client owns, occupies, and maintains the property for the five year term, the entire amount of the loan is forgiven, and the second lien is released; if the property is sold at any time during the five year term, the loan must be repaid at the prorated amount of 1/30 of the total amount for each month remaining to complete the five year term. HIP assistance will not exceed a maximum of $8,000 and shall be the minimum required for closing, following deduction of costs covered by family participation (appendix H).

During the five-year loan term, the participant will be in default requiring the entire loan to become immediately due if he/she

fails to occupy the house and claim it as his/her homestead;

fails to maintain the property in a safe, sanitary, and decent condition in accordance with San Antonio's building codes;

fails to pay all current property taxes and assessments when due; or

fails to maintain adequate insurance on the property, including at minimum fire and extended coverage for the combined first- and second-mortgage loans.[97]

Other program requirements include an inspection of the property for an environmental review, for a lead paint analysis of the home, and for assurance that occupancy standards are being met as well. In general, any person or family who wishes to participate in HIP must find a home to purchase, enter into a $200 Earnest Money Contract with the seller, complete the necessary loan applications, and ask the realtor to arrange for an appointment to apply for HIP assistance through the Urban Progress Corporation.[98]

Funding. Funding for HIP comes from the federal government in the form of a Community Development Block Grant (CDBG). The city must apply for CDBG money every year. Whatever amount San Antonio receives is divided up by the City Council. All but one City Council District receive at least a portion of the grant money. Some Council Districts, such as District 5, receive a substantial portion of the grant because they are poorer areas of the city and CDBG funds can only be used on approved housing and urban development programs where there is a demonstrated need for them.

Once the grant is divided among the eligible Council Districts the division of funds among the different programs in each district is left solely for the individual council member to decide. For fiscal year 1989-90 (CDBG Yr. 15), housing programs constituted $6,493,417, or 41 percent of the total $15,847,885 CDBG budget for the city. Of the housing money, HIP garners $1,007,000, or 15.5 percent, second only to Select Housing Target Areas (SHTAs).

It was found that 93 percent of the HIP clients were Mexican-American, 4 percent were Anglo, and 3 percent were African-American. Eighty-seven percent of the clients had an income which did not exceed 80 percent of the city's median income. Thirteen percent of the clients had an income up to 120 percent of the city's median income. These clients qualified for program assistance because they chose to purchase homes in SHTAs. Also, 33 percent of the clients qualified as low-income participants and received a deep subsidy including down-payment assistance and closing costs. HIP data indicates that the average client has a household size of 3.5 persons, the average income is $19,000 or 62 percent of the city's median income, and the average borrower is 33 years old. After being approved for participation in the program, the average down-payment assistance was $1,512 and the average home cost $32,000.

It was found that the enclave had an excellent participation in the program (approximately 23 percent of the clients were from the enclave) and had purchased homes there as well (19 percent of all homes purchased with program assistance were located in the enclave). About 46 percent of the HIP clients who purchased homes in the enclave were already enclave residents, and 44 percent of the HIP homes were purchased by clients not originally from the enclave.

This analysis of HIP clients in terms of ethnic background, income group, location of origin, and location of home purchased reveals that both the city and the enclave have benefitted from the program. HIP has been equally successful in fulfilling its second objective of encouraging private investment in the inner city. The most obvious example of such investment is in the private loan made to the client. As of April 15, 1989, $564,690 in public funds leveraged $10,422,623 in private loans. This means that for each dollar loaned in public assistance, mortgage companies loaned $20 in private funds, a ratio of $1 to $20.[99] Other investment includes the multiplier effect from the repairs to the home prior to purchase and from the increase in the net worth of the new homeowner.

Conclusions and Policy Recommendations

This evaluation of the Homeownership Incentive Program of San Antonio has taken into account the program's stated objectives of providing home ownership opportunities for low- and moderate-income families and encouraging investment in the inner-city neighborhoods. HIP has been very successful in achieving both objectives. As of September 30, 1989, HIP has provided assistance to 461 families. When the program first started it was funded in only two of ten City Council Districts. Now all eligible districts set aside part of their CDBG funding for HIP.

The program is structured to help only low- and moderate-income families with the exception of families who move into SHTAs whose income can be up to 120 percent of the city's median income. It also promotes private investment in the inner city through providing down-payment assistance to these families and inducing private mortgage companies to make loans to them. Additionally, the inner city benefits from the multiplier effects involved both before and after the purchase of a home.

HIP is an outstanding example of problem analysis, policy creation, and successful implementation. San Antonio's HIP provides a modern example of how a government program (CDBG dollars) can be put to work successfully at very little cost. It is recommended that other cities follow San Antonio's model and create a HIP program of their own and help their citizens realize the dream of home ownership and promote the development of their inner cities at the same time.